

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
The Pay Telephone Reclassification)	CC Docket No. 96-128
and Compensation Provisions of)	
The Telecommunications Act of 1996)	
)	
RBOC/GTE/SNET Payphone Coalition)	NSD File No. L-99-34
Petition for Clarification)	

COMMENTS OF WORLDCOM, INC.

July 3, 2003

**Larry Fenster
1133 19th St., NW
Washington, D.C. 20036
202-736-6513**

TABLE OF CONTENTS

<u>I.</u>	<u>EXECUTIVE SUMMARY</u>	<u>I</u>
<u>II.</u>	<u>MAKING FS-IXCS LIABLE FOR SBR COMPENSATION IS ARBITRARY AND CAPRICIOUS</u>	<u>1</u>
A.	<u>The Current Rules Are Arbitrary And Capricious</u>	1
B.	<u>The Commission Has Never Shifted An Undefined Or Potentially Unknowable Compensation Obligation From One Class of Carrier or Consumer To Another</u>	2
<u>III.</u>	<u>TRACKING AND COMPENSATION OF COMPLETED CALLS MUST BE SIMPLIFIED</u>	<u>4</u>
A.	<u>Many SBRs Failed To Invest In Reliable Call Tracking Systems</u>	4
B.	<u>Many SBRs May Have Reliable Compensation and Tracking Systems</u>	5
C.	<u>Many PSPs Retain Unrealistic Expectations Of Compensation Under The Existing Rules</u>	7
D.	<u>SBRs Must Either Be Required To Invest In And Verify They Have Reliable Compensation Systems Or Be Accommodated In Some Fashion</u>	7
1.	<u>SBR Data Affirmation/Verification Options</u>	8
2.	<u>Reporting Options</u>	10
3.	<u>Reducing uncertainties of measuring completed calls</u>	11
<u>VII.</u>	<u>CONCLUSION</u>	<u>14</u>

I. EXECUTIVE SUMMARY

With the exception of the payphone service providers (“PSPs”) all parties agree the existing payphone compensation rules are administratively inefficient, are unworkable, result in overpayments, and will result in increasing disputes. The record shows that the Commission’s existing rules have failed to establish a more simple, certain payphone compensation regime. Chief among the problems underlying the existing complexity and uncertainty is the fact that one-half of switch-based resellers (“SBRs”) have found it too expensive to invest in and maintain reliable systems tracking and reporting the number of completed payphone calls they receive. Whatever rules the Commission adopts must efficiently and successfully address this problem.

MCI does not believe requiring SBRs to invest in reliable compensation systems is necessarily the answer. This was already a requirement under the original rules. MCI believes the cost of developing reliable payphone tracking systems is simply too great for smaller SBRs. MCI has therefore proposed defining a completed call as a call that appears completed according to the first switch interexchange carrier’s (“FS-IXCs”) answer supervision, for those SBRs who voluntarily choose to refrain from investing in call tracking capabilities, or who have not yet received a verification of accuracy from an independent third party. We already know this option is acceptable to approximately 50% of SBRs. Their prior choice of this option identifies them as a separate customer class, capable of being governed by a different definition of completed call. By basing surcharges on these SBR’s choice not to invest in expensive call tracking systems, the Commission will ensure this level of surcharges is reasonable. Because an SBR has chosen not to make costly investments that would otherwise be required under the Commission’s rules, this rule would in effect allow SBRs to use the cost savings, from otherwise

required investments, to offset the additional cost of being surcharged for all calls routed to their platform. Other SBRs who have an independent third party verify the reliability of their payphone compensation systems and provide their contact information to the FCC for access by the PSPs, should be allowed to directly compensate PSPs. FS-IXCs should be required to provide additional call detail information pertaining to these qualifying SBRs in order to aid PSPs to monitor the accuracy of qualifying SBR payments.

These rules would establish a rational compensation regime. SBRs who are able to reliably track and compensate PSPs will be able to do so directly, thereby eliminating an unnecessary data processing step, and charge, by FS-IXCs. FS-IXCs will provide the level of reporting PSPs need to verify the accuracy of compensation payments made by qualifying SBRs. These rules would recognize that many SBRs would never be able to recoup their costs if they invested in reliable tracking systems, and that no rule or short-term contract can countermand basic economics. These rules retain an FS-IXC administrative role for these mostly smaller SBRs who comprise one-half of SBRs, and establish a payment mechanism, which will minimize disputes between FS-IXCs and PSPs. MCI believes these rules would more effectively ensure full and fair compensation for PSPs, while minimizing disputes and administrative expenses for all parties.

II. MAKING FS-IXCS LIABLE FOR SBR COMPENSATION IS ARBITRARY AND CAPRICIOUS

A. The Current Rules Are Arbitrary And Capricious

The record shows that the Commission's existing rules have failed to recognize and address the magnitude of several problems endemic to a carrier pays system, where there are multiple carriers in the call path and where compensation is determined on the basis of completed calls determined by answer supervision from the last switch: 1) excessive costs of investing in reliable payphone completed call tracking procedures for one-half of SBRs,¹ 2) unreasonable payphone service provider ("PSP") expectations of compensation resulting from an inability to automatically receive call completion signals from any called parties, and history of unreliable compensation payments from switch-based resellers ("SBRs"),² and 3) inability of first switch interexchange carriers ("FS-IXCs") to automatically receive call completion signals from SBR called parties and inability to require every SBR to develop reliable compensation systems.³

Rather than recognize the magnitude of these underlying problems, the Commission has simply foisted ultimate responsibility for SBR payphone compensation on FS-IXCs under the theory that a few centralized collection agents are administratively efficient, while at the same

¹ MCI Comments at 24, AT&T Comments at 6.

² WilTel Comments at 3; CommuniGroup Comments at 5; Global Crossing Comments at 5.

³ Insufficient reporting data, failure of FS-IXCs to provide accurate contact information, and confusing language in the *Per-Call Waiver Order* (13 FCC Rcd 10893 (1998)) regarding compensation liability were also major contributors to the failure of the original rules. MCI believes these problems have been solved. FS-IXCs now have reliable contact information, they have developed systems to provide sufficient reporting detail gleaned from their own systems, and the *Second Bell Atlantic Order* cleared up compensation liability under the original rules. See *Bell Atlantic-Delaware, Inc. V. MCI Telecommunications Corp.*, Memorandum Opinion and Order (*Second Bell Atlantic Order*) 17 FCC Rcd 15918 (2002).

time undermining their ability to play this role by restricting their ability obtain adequate SBR compensation,⁴ failing to impose any requirements on SBRs to cooperate with FS-IXCs to provide call completion data, and encouraging decentralized payment arrangements between SBRs and PSPs.⁵ The outcome has been an increase in administrative complexity, monthly disputes between FS-IXCs and their customers,⁶ overpayments to PSPs,⁷ and the prospect of increasing disputes.⁸ The current confusion is the result of the arbitrariness and capriciousness of the existing rules.

B. The Commission Has Never Shifted An Undefined Or Potentially Unknowable Compensation Obligation From One Class of Carrier or Consumer To Another

The Commission's payphone compensation rules initially placed the obligation to track and pay compensation on carriers who were the primary beneficiaries and had the direct knowledge of the amount of compensation to be paid to PSPs.⁹ Thus, although a pure reseller was the primary economic beneficiary of a payphone call, its lack of direct knowledge of the amount of compensation owed to PSPs made it administratively efficient for the underlying carrier to track and pay compensation. The Commission also did not place restrictions on the

⁴ The Pay Telephone Reclassification And Compensation Provisions Of The Telecommunications Act Of 1996: RBOC/GTE/SNET Payphone Coalition Petition for Clarification, Third Order on Reconsideration and Order on Clarification, CC Docket No. 96-128, NSD File No. L-99-34, 16 FCC Rcd. 20922 (2001) (*Third Reconsideration Order*), &8.

⁵ *Id.*, &11.

⁶ Sprint Comments at 10, MCI Comments at 25, Global Crossing Comments at 4, Joint Comments at 5, WilTel Comments at 6, Qwest Comments at 6, AT&T Comments at 16, TelStar Comments at 9.

⁷ Sprint Comments at 8, MCI Comments at 17, AT&T Comments at 9.

⁸ MCI Comments at 26.

⁹ The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Report and Order, CC Docket No. 96-128, 11 FCC Rcd 20541 (1996) (*First Payphone Order*), &86.

underlying carrier's ability to take actions to maintain the conditions that were the source of its administrative efficiency.

In its *PICC Order*, the Commission shifted the interstate common line obligation of end users to their primary interexchange carrier, and made the local end user's local exchange company the administrative means by which this shift was implemented.¹⁰ But in this case, the Commission calculated specific and exact revenue recovery amounts that local exchange carriers ("LECs") were allowed to collect and then authorized LECs to recover this amount. Again, the entity with the administrative role of collecting an obligation was in control of, and had direct knowledge of, the amount of its obligation.

When the Commission modified its universal service contribution methodology from a net revenue contribution basis to an end user contribution basis, it did so for reasons of administrative efficiency.¹¹ The result was a shift of contribution from LECs to interexchange carriers ("IXCs"). However, under the new methodology, IXCs had direct and exact knowledge of their obligations derived from data completely within their control, namely their own revenues.

Only in its *Second Reconsideration Order* did the Commission shift responsibility from one class to another on the grounds of administrative efficiency, but placed the obligation on the

¹⁰ Acces Charge Reform, CC Docket No. 96-262, First Report and Order (*PICC Order*) FCC Rcd 12 15982 (1997).

¹¹ 1998 Biennial Regulatory Review, Streamlined Contributor Reporting Requirements Associated with Administration of Telecommunications Relay Services, North American Numbering Plan, Local Number Portability, and Universal Service Support Mechanisms, CC Docket No. 98-171 Report And Order, rel. July 14, 1999.

carrier who had no control of, or direct knowledge of, its obligation.¹² Unlike the *First Payphone Order*, where the shift in obligation was administratively efficient because the underlying carrier had control of the data, here the underlying carrier did not have control of the data necessary to determine its obligation. The record shows that underlying carriers are generally unable to obtain the necessary data to determine their exact obligation, and when they do so it is often done with great difficulty,¹³ and involves an inexact payment.¹⁴

III. TRACKING AND COMPENSATION OF COMPLETED CALLS MUST BE SIMPLIFIED

A. Many SBRs Failed To Invest In Reliable Call Tracking Systems

Congress required the Commission to establish a compensation plan to ensure PSPs were fairly compensated for each and every completed call using their payphone.¹⁵ The Commission has defined a completed call as one that is answered by the called party.¹⁶ Capturing and then reading payphone-identified supervision messages that signal the called party has answered the call generally accomplish tracking completed calls. The Commission required all facilities-based carriers to invest in systems capable of capturing and recording these answer supervision messages and then matching them up with payphone specific information (coding digits or

¹² The Pay Telephone Reclassification And Compensation Provisions Of The Telecommunications Act Of 1996: RBOC/GTE/SNET Payphone Coalition Petition for Clarification, Second Order on Reconsideration, (*Second Reconsideration Order*), CC Docket No. 96-128, NSD File No. L-99-34, 16 FCC Rcd. 8098& 11.

¹³ Sprint Comments at 10, MCI Comments at 25, Global Crossing Comments at 4, Joint Comments at 5, WilTel Comments at 6, Qwest Comments at 6, AT&T Comments at 16, TelStar Comments at 9.

¹⁴ Sprint Comments at 8, MCI Comments at 17, AT&T Comments at 9.

¹⁵ 47 U.S.C. § 276(b)(1)(A)

¹⁶ Implementation of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, Report and Order, (*First Payphone Order*) CC Docket No. 96-128, 11 FCC Rcd 20541 (1996), &63

validated ANIs) to be able to fairly compensate PSPs.¹⁷ MCI reported that it spent tens of millions of dollars developing its system.¹⁸ The record strongly suggests that many SBRs never spent the money on the necessary systems. MCI reports that 49% of its SBRs preferred to be surcharged for all payphone calls sent to them rather than track and report completed calls.¹⁹ AT&T reports that 40% of its resellers fall into this category.²⁰ PSPs also reported that many SBRs did not have tracking systems in place.²¹ MCI believes that the cost of investing and maintaining reliable call tracking systems is too expensive for the small scale of approximately one-half of SBRs.

B. Many SBRs May Have Reliable Compensation and Tracking Systems

As explained in MCI's Comments, its billing systems track and invoice payphone surcharges according to answer supervision messages received. In order to comply with the Commission's prohibition on surcharging SBRs for all calls sent to their platforms without their consent, MCI and other FS-IXCs have required SBRs to provide them call completion data in short turn-around times, in order to be able to quickly reduce surcharges to reflect only call completions.²² It is possible that the short turn-around times have strained the capabilities of SBRs with otherwise reliable compensation tracking systems.²³

¹⁷ Id., &110

¹⁸ MCI Comments at 6.

¹⁹ MCI Comments at 24.

²⁰ AT&T Comments at 6.

²¹ APCC Comments at 9 ("...relatively few resellers even had bothered to track calls originating from payphones.")

²² MCI Comments at 23. Contrary to statements made by IDT at 10 ("IXC simply treats the calls to the SBR as non-completed, rather than pay the PSP"), if the data is not provided on time, MCI will pay the PSP on the basis of answer supervision messages it has received. MCI does not pay PSPs for only completed calls and pocket the

MCI Reply Comments
Payphone FNPRM

MCI estimates that 12% of its SBRs consistently provide reliable call completion data in a useable format quickly enough to allow a timely credit.²⁴ Qwest reports that 27 of 355 customers actively provide call completion data, yielding an estimate that approximately 8% of its SBRs provide reliable, timely call completion data.²⁵ OCMC, TelStar, and IDT claim to fall into this category.²⁶

This leaves the following picture of the reliability of SBR call completion data. Approximately 10% have call tracking systems capable of quickly and reliably providing data in formats capable of accurately reporting completed payphone calls. Approximately 50% do not have adequate systems and procedures in place and prefer to have the FS-IXC administer payphone compensation on their behalf and to be surcharged for all calls handed off to them. Approximately 40% have systems and procedures in place that may not be as reliable as the 10% who consistently provide FS-IXCs call completion data on time, but might have systems that would be reliable without the requirement to provide monthly call completion data by the 20th of the month. The 40% of SBRs with systems that do not mesh with FS-IXCs systems and requirements to compensate on their behalf have created substantial administrative difficulties

difference. When SBRs do not provide call completion data, MCI does not know how many SBR calls were completed and so has no choice but to pay PSPs for all payphone calls sent to the SBR. MCI does however, credit SBRs who provide call completion data late.

²³ Joint Comments at 6 (“...some arrangements between the first IXC and switch-based carrier provide only a small window of time for the switch-based carrier to submit the call completion records.”)

²⁴ MCI Comments at 6,

²⁵ Qwest Comments at 8.

²⁶ OCMC Comments at 4 (“OCMC ...has...systems in place that can track all of the calls that OCMC carries.”) Telstar Comments at 8 (“...the SBR remains the only carrier in the call path that is able to identify whether a call...is completed..”). IDT Comments at 16 (“...the SBR is the *only* entity reasonably certain to have access to the information necessary for per call tracking...”)

that many recognize either are, or soon will be, a source of substantial disputes and instability within the industry.²⁷

C. Many PSPs Retain Unrealistic Expectations Of Compensation Under The Existing Rules

While the RBOC Coalition claims the present system is fairly compensating its member companies, it appears that many independent PSPs do not believe the current rules are fairly compensating them. The result will be a continuation of the uncertainty and disputes that characterized the first compensation regime. WilTel reports that even when it is the SBR, PSPs often bill it for payphone compensation because it has a carrier identification code (CIC).²⁸ CommuniGroup of K.C. reports being directly billed by PSPs,²⁹ and Global Crossing reports many instances where PSPs treat the answer supervision messages they receive as evidence of completed payphone calls, and bill on that basis – meaning they expect the completion rate for calls from their payphones is close to 100%.³⁰

D. SBRs Must Either Be Required To Invest In And Verify They Have Reliable Compensation Systems Or Be Accommodated In Some Fashion

A number of solutions to this unstable state of affairs have been proposed. They fall into three categories: 1) affirm or verify that SBR's data is reliable and then allow them to either directly compensate PSPs or remove FS-IXC liability for SBR payments, 2) require more detailed reporting data to reassure PSPs they are being fairly compensated, and 3) reducing

²⁷ MCI Comments at 22-26, WilTel Comments at 3, AT&T Comments at 8, Telstar Comments at 5, Qwest at 7, Sprint at 14, IDT at 15.

²⁸ WilTel Comments at 3

²⁹ CommuniGroup Comments at 5, Global Crossing Comments at 5.

³⁰ Global Crossing Comments at 5.

uncertainties of measuring completed calls flowing from complexities of relying on answer supervision when many carriers are involved in the call path.

1. SBR Data Affirmation/Verification Options

Most of the uncertainty faced by FS-IXCs occurs because PSPs do not trust the accuracy of SBR call completion data; and FS-IXCs have been unable to require SBRs to subject their systems to verification by an independent third party and are often unable to obtain call completion data. In this situation, FS-IXCs either compensate for all calls sent to SBRs, but do not succeed in recovering this payment from their SBRs, or they credit SBRs at a later time, adjust PSPs payments accordingly in the future, and prepare for continual disputes. For their part, SBRs assert they are the party best able to determine whether calls handed off to them have been completed. They chafe at the need to track calls to completion, turn the data over to FS-IXCs by a certain time, and incur the cost the FS-IXC bears incorporating their data and bearing the risk of paying PSPs if the data is not supplied on time.

SBRs therefore ask the Commission to immediately find their call tracking procedures are reliable and allow them to return to the original rules where they directly compensated PSPs, albeit with the FS-IXC providing current SBR contact information to the PSP this time.³¹ Essentially, they propose allowing themselves to self-certify as to the accuracy of their compensation systems. AT&T and Sprint hold similar positions.³² While MCI supports allowing SBRs to directly compensate PSPs, these proposals fall short of accounting for poor SBR payment history of the past and the likelihood that 50% of SBRs do not have adequate call

³¹ TelStar Comments at 11, IDT Comments at 32.

³² AT&T Comments at 9, Sprint Comments at 24.

tracking systems. Moreover, the jury is still out whether another 40% of SBRs have adequate call tracking systems.

A number of FS-IXCs propose allowing SBRs to directly compensate PSPs if they verify or certify the accuracy of their call tracking capabilities. MCI proposes for SBRs to have discretion to directly compensate PSPs once an independent third party verifies the accuracy of their compensation mechanisms, provided the FS-IXC also provides data on calls sent to the SBR by toll free number by ANI.³³ WilTel would have SBRs certify the accuracy of their call completion data in order to remove FS-IXC liability, but FS-IXCs would retain an administrative collection role.³⁴ Global Crossing would maintain a collection and distribution role for FS-IXCs, but would remove the FS-IXC compensation liability.³⁵ Finally, Qwest would allow SBRs to directly compensate PSPs if all carriers provided: full call detail records for completed payphone calls to PSPs; a list of the toll-free numbers leased to each SBR; and annual certifications from FS-IXCs and SBRs of the accuracy of their payments.³⁶

MCI believes it is arbitrary and capricious for the Commission to make FS-IXCs liable for SBR compensation, and believes if sufficient verification of the accuracy of SBR compensation systems is obtained, it is preferable to allow SBRs to directly compensate PSPs at their discretion than to remove FS-IXC liability and retain a FS-IXC collection role for SBR payments. Requiring SBRs to verify they have accurate compensation systems but then

³³ MCI Comments at 28.

³⁴ WilTel Comments at 6.

³⁵ Global Crossing Comments at 11.

³⁶ Qwest Comments at 12.

requiring FS-IXCs to collect and then distribute compensation on their behalf, is inefficient and denies SBRs the benefit of having undertaken the expense of verifying the reliability of their systems. Finally, Qwest and AT&T's certification proposals don't efficiently minimize disputes. While self-certifications should provide some confidence to PSPs, they fall short of the confidence that would come if certifications were provided by an independent, third party. Independent certifications would also reduce the need to supply call detail records with every compensation payment, and would justify making full call detail records available only to resolve disputes.

2. Reporting Options

Another method proposed to reduce PSP uncertainty about the accuracy of SBR payments is to provide more detailed reporting about traffic routed to and completed by SBRs to PSPs. Currently FS-IXCs report completed calls by toll free number by ANI. Consequently, PSPs can determine the call completion rate for each toll free number for each of their payphones. This should be sufficient information to allow them to benchmark completion rates by toll-free number over time, and determine whether they are being fairly compensated. In fact, APCC justifies making FS-IXCs responsible for SBR payments by arguing it has reduced the number of potential disputes from over 400,000 to 10,000.³⁷ Not having to enter into disputes with each SBR has dramatically reduced PSP collection costs and is APCC's major justification for making FS-IXCs responsible for SBR payments.

It is surprising therefore, that APCC proposes requiring FS-IXCs to report the identity of their SBRs, and provide the number of calls completed and routed to each number by ANI, by

³⁷ APCC Comments at 12.

SBR, so PSPs they may pursue “underreporting of completed calls” from individual SBRs.³⁸ Qwest makes a similar proposal.³⁹ Apparently, APCC intends to pursue those 400,000 disputes after all. But if so, it is no longer justified to place FS-IXCs in the middle of their pursuit on the grounds of administrative efficiency. Additional reporting detail makes sense therefore only if SBRs are given the discretion to directly compensate PSPs. And this should only be allowed if an independent third party verifies SBRs have accurate compensation systems. Without an independently established baseline of SBR reliability, having FS-IXCs provide more detailed reporting will add fuel to the fire of PSP claims of undercompensation. By the same token, once independent third parties have verified the accuracy and reliability of SBR compensation systems, FS-IXCs should be required to provide data on calls routed to each toll free number from each ANI so PSPs may monitor SBR payments, and then have the information to pursue the few SBRs who fail to live up to their verification.

3. Reducing uncertainties of measuring completed calls

The great number of FS-IXC proposals to alter the definition of completed call (in whole or in part) is testament to their conviction that the current system is overly complex, prone to endless disputes, and in the end an arbitrary and unreasonable system. Global Crossing and WilTel propose defining completed calls according to a timing surrogate.⁴⁰ The advantage of a timing surrogate is that both PSPs and FS-IXCs have information about the length of a payphone call. Presumably disputes between them would be drastically reduced if they share a common

³⁸ Id., &24.

³⁹ Qwest Comments at 11.

⁴⁰ Global Crossing at 7, WilTel at 10.

data source for tracking completed calls. Despite the attractiveness of fewer disputes, basing compensation on a timing surrogate would require MCI and other FS-IXCs to modify their payphone compensation systems. MCI spent tens of millions of dollars developing a system that siphoned payphone-identified traffic off of multiple calling platforms and integrated this data with multiple billing systems, and is concerned the cost of modifying its compensation and billing systems to accommodate timing surrogates would be too high.

Global Crossing and APCC propose percent completion proxies. Global crossing would have the Commission calculate a single call completion factor, and then reduce the default rate by this factor and allow FS-IXCs to compensate on the basis of calls sent from each payphone.⁴¹ APCC recognizes the unreasonableness of the current rules' failure to address the appropriate level of compensation when SBRs do not provide FS-IXCs call completion data.⁴² APCC proposes allowing each FS-IXC to establish a completion factor for various sub-markets based on its own call completion data for those sub-markets.⁴³

Global Crossing's proposal would be easy to administer because it relies on a single call completion factor. Unfortunately, SBRs have maintained that there is a very wide discrepancy among call completion rates for each prepaid card product. And because the proxy would be applied across the board to all payphone calls, it would be difficult to justify a single factor as being just and reasonable. APCC's proposal has the merit of responding to the wide variation of call completion factors across different sub-markets. However, it is difficult to conceive of how

⁴¹ Global Crossing at 8.

⁴² APCC Comments at 26.

⁴³ APCC at 26.

it would be justly administered. SBRs would represent that their calls were being reoriginated to whichever FS-IXC sub-market had the lowest call completion factor, and since neither FS-IXCs nor PSPs have access to the SBR called destinations they would not be certain the correct proxy would have been applied. It is difficult to see how this proposal would reduce reporting requirements or disputes.

MCI and Sprint both advocate a “Caller Pays” system, which would involve having callers insert coins to use a payphone. Caller pays would completely remove uncertainty associated with receiving call completion data from SBRs. Callers would insert coins that would be returned if calls were not completed. The Commission would not need to change the definition of completed call. Callers would be paying for the use of the payphone instrument. While some modification of payphone units would be required, there would be no need for additional truck rolls, since local calls are currently paid for by coin. The nearly perfectly accurate collection that would result should be sufficiently large to justify instrument modification costs.

Finally, the proposal which reduces complexity and accounts for unreliable call completion data from most SBRs with the minimum of administrative costs, and the greatest chance of reaching industry consensus is offered by MCI. MCI proposes defining a completed call as a call that appears completed according to the FS-IXCs answer supervision, for those SBRs who voluntarily choose to refrain from investing in call tracking capabilities, or who have not yet received a verification of accuracy from an independent third party. We already know this option is acceptable to approximately 50% of SBRs. Their prior choice of this option identifies them as a separate customer class, capable of being governed by a different definition of completed call. By basing surcharges on these SBRs’ choices not to invest in expensive call

tracking systems, the Commission will ensure this level of surcharges is reasonable. And, because an SBR will have chosen not to make costly investments that would otherwise be required under the Commission's rules, this rule would, in effect, allow SBRs to use the cost savings from otherwise required investment to offset the additional cost of being surcharged for all calls routed to their platform.

These rules would establish a rational compensation regime. SBRs who are able to reliably track and compensate PSPs will be able to do so directly, thereby eliminating an unnecessary data processing step by FS-IXCs. FS-IXCs will provide the level of reporting PSPs need to verify the accuracy of compensation payments made by qualifying SBRs, namely a report of calls routed to each qualifying SBR by toll-free number for each ANI. These rules would recognize that many SBRs would never be able to recoup their costs if they invested in reliable tracking systems, and that no rule or short-term contract can countermand basic economics. These rules retain an FS-IXC administrative role for these mostly smaller SBRs who comprise one-half of SBRs, and establish a payment mechanism, which will minimize disputes between FS-IXCs and PSPs. MCI believes these rules would more effectively ensure full and fair compensation for PSPs, while minimizing disputes and administrative expenses for all parties.

VII. CONCLUSION

MCI urges the Commission to adopt the positions advocated herein.

Sincerely,
Larry Fenster
Larry Fenster
1133 19th St., NW
Washington, DC 20036
202-736-6513

Statement of Verification

I have read the foregoing and, to the best of my knowledge, information and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct.

Executed on July 3, 2003

Larry Fenster

Larry Fenster

CERTIFICATE OF SERVICE

I, L. Elizabeth Bryant, hereby certify that on this 3rd day of July, 2003, copies of the foregoing were served by hand or regular mail on the following:

Michael K. Kellogg
Aaron M. Panner
Kellogg, Huber, Hansen, Todd & Evans
1615 M Street, N.W.
Washington, DC 20036

Albert H. Kramer
Robert F. Aldrich
Gregory D. Kwan
Attorneys for the American Public
Communications Council
2101 L Street, N.W.
Washington, DC 20037

Paul Brooks
Dial Around Manager, Bulletins
1422 E. Katella Avenue
Anaheim, CA 92805

Cheryl A. Tritt
Frank W. Krogh
Morrison & Foerster LLP
2000 Pennsylvania Ave., N.W.
Washington, DC 20007

John E. Benedict
H. Richard Juhnke
Sprint Corporation
Suite 400
401 Ninth Street, N.W.
Washington, DC 20004

David L. Lawson
Paul J. Zidlicky
Joseph R. Palmore

SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, DC 20005

Leonard J. Cali
Lawrence J. Lafaro
Stephen C. Garavito
Terese Marrero
AT&T
900 Route 202/206 North, Room A229
Bedminster, NJ 07921

Michael J. Shortley, III
Attorney for Global Crossing
Telecommunications, Inc.
1080 Pittsford-Victor Road
Pittsford, NY 14534

Kathleen Greenan Ramsey
Danielle C. Burt
Swidler Berlin Shereff Friedman, LLP
3000 K Street, N.W., Suite 300
Washington, DC

James U. Troup / JHL
James H. Lister
McGuire Woods, LLP
Suite 1200
1050 Connecticut Ave., N.W.
Washington, DC 20036

Stan Stoll
Blackburn & Stoll
77th West 200 South, Suite 400
Salt Lake, UT 84101

Adam L. Lupetsky

WilTel Communications, LLC
One Technology Center, MD 15H
Tulsa, OK 74103

Sharon J. Devine
Aimee C. Jimenez
Attorneys for QWEST
COMMUNICATIONS INT'L
Suite 950
607 14th Street, N.W.
Washington, DC 20005

Hope Halpern, Esq.
Director of Regulatory Affairs
Telstar International, Inc.
One North Broadway
White Plains, NY 10601

Howard Segermark
Executive Director
International Prepaid Communications
Assoc.
904 Massachusetts Ave., N.W.
Washington, DC 20002

Carl Wolf Billek
IDT Corporation
520 Broad Street
Newark, NJ

L. Elizabeth
Bryant

L. Elizabeth Bryant